

SONOMA COUNTY WATER AGENCY

Department Head: Randy D. Poole

DEPARTMENTAL DESCRIPTION

The Sonoma County Water Agency is a countywide special district whose mission is to effectively manage the water resources in its care for the benefit of people and the environment through resource and environmental stewardship, technical innovation and responsible fiscal management. The Sonoma County Board of Supervisors serves as the Board of Directors of the Water Agency.

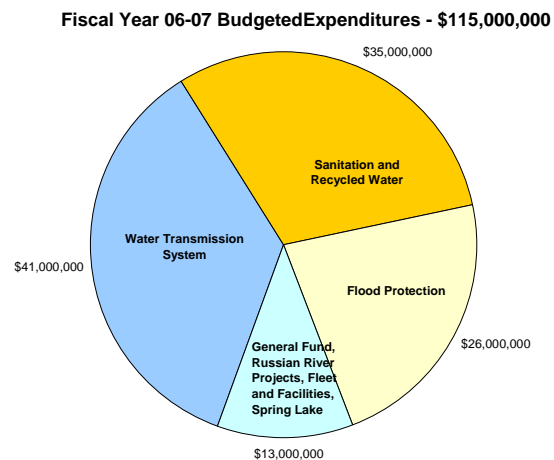
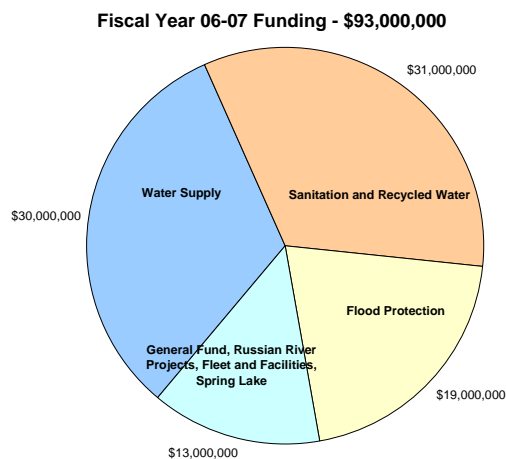
The four major functions of the Agency are: **Water supply** - the Agency is responsible for securing and maintaining water rights and encouraging water conservation and reuse to meet present and future demand; **Water transmission** – the Agency is responsible for wholesale domestic water supply and delivery to eight prime contractors (Santa Rosa, Petaluma, Sonoma, Rohnert Park, Cotati, Valley of the Moon Water District, Forestville, and North Marin Water District) and other customers; **Flood control** - the Agency designs, constructs and maintains flood control facilities; and **Wastewater collection and treatment** - the Agency provides sanitation services to four county districts and four sanitation zones of benefit. The Agency also provides some services to other entities within the County such as Drainage Review Plan Checks or responding to emergencies involving pipelines outside of its own infrastructure.

The Agency also provides general and administrative services to support the four core activities. The administrative functions include:

- Staffing, training, and safety of employees.
- Developing strategic plans and setting priorities.
- Management of buildings, fleet, and equipment.
- Measurement and reporting of results.
- Capital improvement planning.
- Project management.
- Financial planning and budgeting including:
 - Capital projects.
 - Operations and maintenance.
 - Debt service.
 - Long term financial forecast development.

The charts below summarize the budget for FY 06-07:

FINANCIAL SUMMARY



Section	GROSS EXPENDITURES			NET COST / USE OF FUND BALANCE		
	FY 05-06 Adopted	FY 06-07 Requested	Percent Change	FY 05-06 Adopted	FY 06-07 Requested	Percent Change
Admin & General	\$33,626,348	\$37,157,443	10.50%	\$1,255,829	(\$1,415,623)	(212.72%)
Flood Control	23,000,245	18,972,084	(17.51%)	16,336,838	7,314,784	(55.23%)
Water Supply	7,607,166	12,428,222	63.38%	1,316,088	2,028,320	54.12%
Water Transmission	55,148,435	42,992,250	(22.04%)	15,668,018	8,005,807	(48.90%)
Internal Service Fund	9,588,040	5,519,535	(42.43%)	1,942,124	379,232	(80.47%)
Sanitation	50,411,642	33,929,425	(32.70%)	28,515,634	5,070,921	(82.22%)
TOTAL:	\$179,381,876	\$150,998,959	(15.82%)	\$65,034,531	\$21,383,441	(67.12%)

This budget requires drawing down fund balances in each category except Admin and General, which will increase by \$1.4 million. From year to year the fund balances will be built up and then used for the Capital Improvement Plans of the Agency. This is a normal cycle and not a sign that the Agency's finances are in jeopardy.

One of the most important mechanisms for controlling the expenses of the Agency is by controlling the growth in staff positions. For the first time in several years the agency is asking to add staff above the current authorized level of 200 full-time positions. The reasons for needing these additional 6 positions are given in detail in the Program Improvement Requests at the end of this narrative. In general, the increased activity and need for additional staff positions at the Agency result from development and implementation of the Agency's strategic plan action items. Specifically, there are two engineering positions needed for planning projects in the Capital Improvement Plan, ongoing operations and maintenance activities, and ground water management. There are two Geographic Information System techs needed in support of the increasing demand for digital information about the Agency's projects and existing infrastructure. These two positions are offset by reductions of two positions in the Engineering section. There is an Environmental Specialist position being added due to the increased workload in getting permits for on-going Agency maintenance and operations projects. A Water Programs Specialist is being added to support the Agency's increased need for public relations activities and supplying information to the public. There is Network Analyst being added to support the implementation of the Agency's IT and Network Strategic Plan. Finally, there is a Senior Office Assistant to support the growth in the Engineering design and planning groups. The cost for these additional positions will be paid for by the Agency's various enterprise activities.

STAFFING SUMMARY

	FY 05-06 Adopted	FY 06-07 Recommended	FTE Change	% Change
Permanent Positions				
Admin & General	200.00	206.00	6.00	3.0
TOTAL POSITIONS	200.00	206.00	6.00	3.0

SUMMARY OF ISSUES AND SIGNIFICANT CHANGES:

The Agency operates in an environment of regulatory oversight from numerous Federal, State, and Regional agencies. By their nature, the goals of the regulatory agencies may conflict with the Agency's ability to efficiently carry out its primary responsibilities. In some cases they may also conflict with other regulations and regulatory bodies. The Agency must carefully direct its activities balance the requirements of the regulations and meet its responsibilities.

The Agency has developed a Strategic Plan to guide its activities to achieve its mission. The plan includes the following objectives:

- Provide a safe and reliable **water supply** in an effective and environmentally sound manner.
- Provide **flood protection** in a manner that balances public safety and environmental protection.
- Provide **wastewater and recycled water services** at a reasonable cost while protecting people and water quality.
- Develop partnerships and research for the **science-based management of water resources**.
- Be responsive to our **customers' needs; build trust and credibility** with stakeholders.
- **Manage agency funds** to ensure the continuity of operations, viability of agency programs, financial integrity, and

conservation of public trust.

- Promote and sustain a **safe, productive and empowered workforce** that advances the Agency's mission and values.
- Conduct **business activities** in a manner that encourages efficiency, safety, and continuous improvement.

These eight strategic objectives guide all Agency activities and projects. To implement the last of these objectives, the Agency has initiated a number of internal continuous improvement activities:

- Strategic plan development, implementation, and monitoring
- Project management processes and status dashboards
- Metrics and balanced scorecard performance measurement
- Information Technology (IT) upgrades and implementation of an IT Strategic Plan
- California Award for Performance Excellence (CAPE) application leading to the national Malcolm Baldrige Award
- Organization assessment and design
- Sustainability, including the installation of 2000kW solar power generation capacity to reduce energy costs at the Agency's facilities
- Recruitment planning to attract and retain top level staff.

These initiatives are designed to better align the Agency's people, projects, and budgets with the strategic priorities. These activities are paid for through the Agency's General Fund. Revenues for the General Fund come primarily from property taxes and reimbursement for District Services provided to other Agency funds. Revenue is budgeted to be \$4,077,000, a 19.29% increase due to the elimination of the two-year transfer required by the State to the Educational Revenue Augmentation Fund (ERAF) and increased use of District Services by other Agency funds.

The increase in General Fund expenditures in the amount of \$3,487,700 (10.5%) is the result of the following significant expenditure changes:

- \$1,691,584 Increase in Salaries and benefits (7.34%) including increases related to negotiated Memoranda of Understanding and health insurance rates (\$1,085,943) and additions to staff (\$605,641).
- Increase in Services and Supplies \$1,776,684 (24.2%) due to increased costs in District Services, Consultant Services, and Reimbursable Projects (revenue offsets this increase).

FLOOD CONTROL

The Agency's strategic goal for Flood Control is to provide flood protection in a manner that balances public safety and environmental protection. Some of the actions planned to accomplish this goal are:

- Develop a maintenance manual, revise flood control design criteria, and prepare an environmental document in order to obtain long-term programmatic permits for flood protection maintenance.
- Update hydrology and hydraulics analyses report for the Agency's flood protection facilities to assess current levels of flood protection and evaluate the need for future projects and policy changes.
- Develop a plan for a stream flow monitoring system.

The proposed budget contains \$9,266,395 for maintenance work and capital projects within the zones to move toward achieving the stated goal. This is a decrease of \$4,807,162 from the previous year primarily due to lower levels of activity planned in the coming year.

WATER SUPPLY AND WATER TRANSMISSION

The Agency's strategic goals for Water Supply and Water Transmission are: 1) Meet or surpass public health standards and environmental regulations; 2) Integrate and protect available sources of water and responsibly manage infrastructure to meet the current and future needs of the Agency's customers and 3) Promote water conservation and recycled water use. Some of the actions planned to accomplish this goal are:

- Execute a restructured agreement, new MOU for temporary impairment, and related agreements for water supply with the Agency's primary contractors.
- Prepare Environmental Impact Report for the Water Supply and Reliability Project.
- Complete the Urban Water Management Plan and Future Water Demand Analysis.
- Obtain Biological Opinions for diversion facilities, transmission system, and operation of the Russian River Project.
- Conduct studies to assess and analyze the benefits and impacts of reducing flows in the Russian River and modifying SWRCB Decision 1610.
- Establish and protect all Agency water rights.

- Implement measures identified in the water system security vulnerability assessment.
- Conduct natural hazard reliability assessment of diversion and transmission facilities.
- Conduct transmission system operational assessment for existing and future demands.
- Fully implement the California Urban Water Conservation Council's best management practices within the Agency's service area.
- Construct infrastructure necessary to meet current and future needs of the Agency's customers.

Through these programs and its ongoing maintenance and operations of the Water Supply and Transmission systems the Agency delivered an average of 63,893 acre-feet of water per year over the period February, 2003 through February, 2006. The Agency also generates a portion of its electrical power needs from operation of the Warm Springs Dam hydroelectric plant.

For the Water Transmission System in FY 06-07 the Agency will spend \$2.7 million for Water Conservation efforts and \$1.9 million for Recycled Water programs. Additionally, nearly \$25.0 million will be spent on operating and maintaining the Water Transmission System facilities and infrastructure. Capital projects to construct new facilities or replace existing, worn-out facilities are budgeted at approximately \$8.0 million. The Agency plans to spend nearly \$5.0 million on studies and activities related to Water Supply, Water Rights, Environmental Impact Reports, Irrigation Studies and Watershed Reuse projects.

The Agency proposed and the Water Advisory Committee (WAC) approved raising its water rates to the contractors by 4.3 to 4.7% for FY 06-07. This includes approximately \$1 million for the first year of a four year program to rebuild the fund balance from its current level of roughly one and a half months to the more prudent and WAC approved level of three months operating expenses.

GENERAL SANITATION OVERVIEW

The Agency's strategic goal for Wastewater and Recycled Water Services is to provide wastewater services at a reasonable cost while protecting people and water quality. The objectives of this goal are: 1) Protect the health and safety of the public and the environment; 2) Manage sanitation systems in a cost-effective manner; 3) Encourage beneficial use of recycled water, and 4) Adequately fund and implement infrastructure replacement and upgrade projects. The primary action plan to achieve these objectives is to continue the ongoing maintenance activities and to increase customer education to minimize dry-weather overflows in collection systems.

- Generally, expenses are increasing for Operations and Maintenance due to cost of living adjustments for salaries and benefits, and price increases for services and supplies (particularly for utilities, chemicals and state permits and fees). Projected costs for capital improvements have decreased due to completion of some projects and lack of fund balance for some entities. The FY 06-07 sewer service rates are proposed to increase between 3.0% and 10.0% for the various districts and zones. The rate increases for these districts and zones are necessary to fund operational needs, some capital program expenditures, and to build capital reserves to levels that will allow for future capital improvements.
- Beginning in FY 95-96, a capital replacement program was implemented within the sanitation districts and zones to provide for long-term replacement of existing facilities that are worn out or in disrepair. Investment in capital replacement will extend the life of existing facilities at current sanitation standards and will reduce operations and maintenance costs. Program costs are financed through operating transfers from each district or zone's operations fund to its construction fund. The Agency's objective is to fund the program to the level of depreciation expense for each district or zone. If the operations fund does not have sufficient cash available, a transfer of funds to construction will not be made, and the capital replacement projects will be delayed until sufficient funds are available. Where appropriate the Agency also actively seeks State and Federal grants and low-cost loans to finance its wastewater infrastructure replacement program.
- In January 2000, Agency staff held a Sanitation Workshop presenting a summary of operational and regulatory issues associated with sanitation systems operated by the Agency. Three levels of service and costs were identified as defined below. The discussion of each sanitation district or zone operated by the Agency will include a statement regarding the level of service provided under the proposed budget.

Minimum Level of Service: Includes services necessary for the protection of public health, employee safety, and public safety.

Standard Level of Service: Includes services necessary to operate and maintain the sanitation systems in order to limit or reduce the risk of (1) service interruption and (2) violations of the respective National Pollutant Discharge Elimination System (NPDES) permit or Waste Discharge Requirements issued by the Regional Boards.

Asset Preservation Level of Service: Includes services and programs necessary to (1) operate, maintain and replace facilities and equipment within the sanitation systems in order to preserve the system's assets, (2) provide a beneficial impact on the quality of life in the community, and (3) provide economic savings to the ratepayers through optimizing life cycle costs.

Occidental CSD

- The Occidental County Sanitation District is facing very serious financial and operational difficulties. Operating revenues and the District's fund balance are inadequate to fully support required maintenance and facility improvement costs. The Agency's General Fund has contributed nearly \$1.0 million since FY 97-98 with additional contributions anticipated for both FY 05-06 and FY 06-07.
- The FY 06-07 budget calls for \$1,876,202 for replacing and rehabilitating the sewer collection system. This will be funded by a combination of Federal Grants and Loans. If these Grants and Loans are not available the upgrade will not take place.
- The Agency is working closely with community groups to find the lowest cost alternatives to their long-term sanitation needs.
- The District anticipates operating at a Minimum Level of Service during FY 06-07.

Russian River CSD

- The Russian River CSD irrigates approximately 20 acres of forest area adjacent to the treatment plant (referred to as the Burch property) and approximately 40 acres of the Northwood Golf Course. The Northwood Golf Course has not been able to achieve the disposal rate which was expected when the treatment plant was constructed. As a result, increased irrigation has been required at the Burch property. The Russian River CSD is planning to evaluate expansion of the irrigation system to reduce the amount of irrigation performed on the Burch property.
- The FY 06-07 proposed budget calls for a decrease in expenditures of \$837,835 (11.8%). This decrease comes primarily from finishing capital projects to upgrade the plant's capability. Additional projects are anticipated and will be in the planning stages during FY 06-07.
- Projects planned include an EIR for Disposal Irrigation; design for expansion of the system to distribute recycled water; CEQA compliance and design costs for an equalization basin to provide additional storage capacity during peak influent flows; and construction costs and portions of the CEQA compliance, design and, contract administration costs for new disinfection treatment facilities at the treatment plant to comply with increasingly restrictive regulatory requirements for discharge to the river.
- The District anticipates operating at a Standard Level of Service during FY 06-07 including funding for contingencies and capital replacement.

Sonoma Valley CSD

- The Sonoma Valley CSD provides sewage collection, treatment, and disposal service to the Sonoma Valley area. Wastewater is collected by gravity system and flows to the Sonoma Valley CSD's wastewater treatment plant for processing. Recycled water is used to irrigate local crops during the summer and is discharged to San Pablo Bay via Schell Slough during the winter.
- Most of the District's collection system is several decades old. A program to replace the District's collection system over a period of several decades is needed to ensure the reliability and safety of the infrastructure. It is estimated that this program will require on the order of \$2,000,000 per year to implement.
- Overall expenditures are proposed to decrease by \$8,242,712 (35%) due to completion of several large projects.
- Projects planned include environmental compliance and design costs for an upgrade to the treatment plant's sludge equipment with a screw-press system; construction, contract administration, and a portion of design costs to replace an existing inadequate above-ground hose connected to the reclamation system with an underground recycled water pipeline; EIR and CEQA compliance costs for construction of an underground pipeline distribution system throughout portions of the southern Sonoma Valley to provide recycled water for agricultural and urban irrigation uses; contract administration costs to construct a tertiary filter system at the treatment plant to produce Title 22 compliant disinfected tertiary recycled water; contract administration for installation of a 1 mW solar power system to reduce energy costs; replacement of an underground fuel tank with and above ground tank; and replacement of a portion of the trunk main between Leveroni Road and East Watmaugh Road.
- The District anticipates operating at an Asset Preservation Level of Service in FY 06-07.

South Park CSD

- The South Park CSD provides service to the South Park area using a gravity collection system and lift station at Todd Road. Wastewater from South Park CSD is treated and disposed of by the City of Santa Rosa at the Laguna Subregional Treatment Plant. The City of Santa Rosa has accepted responsibility for the operation and routine maintenance of the collection system. An agreement for transfer of responsibility to the City of Santa Rosa of collection system operation and maintenance, and subsequent dissolution of the South Park CSD calls for these events to occur no later than June 30, 2011. The agreement also calls for the South Park CSD to replace, slip-line, or repair 41,610 feet of the collection system and

upgrade the Todd Road lift station before the transfer can take place. There is approximately 13,500 feet of this work which has been completed, with another 3,536 feet currently under construction and contracts awarded for 7,439 feet for replacement in FY 06-07 and FY 07-08.

- On December 12, 1998 the North Coast Regional Water Quality Control Board (NCRWQCB) released a draft Cleanup and Abatement Order (CAO) for halogenated volatile organic compounds (HVOCs) found in soil and groundwater in the vicinity of Sebastopol Road and West Avenue in the South Park CSD service area. Potential costs for investigation, remediation, and legal work related to the draft CAO are substantial (\$2-10 million).
- The FY 06-07 proposed budget calls for a decrease in overall expenditures of \$1,578,977(28%). The decrease results from completion of some capital replacement projects. Subsequent projects are currently in the design phase. This is a temporary decrease as a result of phasing these projects and is not anticipated to continue beyond FY 06 -07.
- Planned projects include funding a portion of the design costs to replace existing sewer along Moorland Avenue between West Robles Avenue and Todd Avenue and replacing existing sewer along East Robles Avenue between Hwy 101 and Brooks Road including Delores Lane.
- The District anticipates operating at a Standard Level of Service in FY 06-07. However, in FY 05-06 a majority of the rate payers protested the requested 6% rate increase and it was withdrawn by the District. This resulted in drawing down of fund balances to minimal acceptable levels. Continued replacement of the collection system and other improvements are dependent upon the rate payers in the district approving necessary increases to cover the costs, interest, and principle payments of future financing.
- The District is also working with the City of Santa Rosa to transfer billing responsibility for the district to the City's flow based payment process. If this can be accomplished, it will tie the individual rate payers' payments much more closely to the actual wastewater they create based on winter time metered water use. In order to be revenue neutral some rate payers will pay more overall, while smaller families and those who conserve water usage inside the home will pay less. Continuing discussions with community groups have indicated that this change is supported by many residents in the District.

Sea Ranch Sanitation Zone

- The Sea Ranch Sanitation Zone consists of two wastewater collection and treatment systems located in Central and North Sea Ranch. These facilities provide treatment to secondary wastewater treatment standards. Treated wastewater from both facilities is disposed of through irrigation. The Sea Ranch Association operates and maintains the Sea Ranch Sanitation Zone facilities for the Agency. The Agency and the Association continue to investigate options for the continued operation of the Zone. Options being considered include executing an agreement between the Agency and the Association for continued operation of the sewer facilities and the transfer of all assets, liabilities, and management responsibilities to the Association.
- Proposed expenditures call for an increase of \$88,817 (10.8 %).
- The FY 06-07 budget plans call for a project to consolidate the two treatment plants.
- The Zone anticipates operating at a Standard Level of Service in FY 06-07.

Penngrove Sanitation Zone

- Agency operations in the Penngrove Sanitation Zone are limited to administrative services and operation/maintenance of the collection system and pumping station. The wastewater collected by the Zone is treated at the City of Petaluma's treatment Plant. Petaluma awarded a contract for the design, construction, and operation of a new wastewater treatment plant that meets advanced (tertiary) wastewater standards. The project is expected to cause a significant increase in the annual sewer service charge over the next several years.
- The proposed budget for FY 06-07 calls for a decrease in overall expenditures of \$87,737 (7.8%).
- The planned project in the Penngrove Sanitation Zone is to fund construction and contract administration costs for work on the Sewer Rehabilitation Project infiltration and inflow.
- The Zone anticipates operating at a Standard Level of Service in FY 06-07.

Geyserville Sanitation Zone

- Current and future treatment plant inflows are expected to remain less than the treatment and disposal capacity of the Geyserville Sanitation Zone facilities. Therefore, there are no expansions to the treatment and disposal facilities planned at this time.
- Proposed expenditures are the same as in the previous fiscal year.
- The Geyserville Sanitation Zone anticipates operating at a Standard Level of Service with partial funding for programs necessary to provide an Asset Preservation Level of Service.

Airport / Larkfield / Wikiup Sanitation Zone

- The Airport / Larkfield / Wikiup Sanitation Zone (ALW SZ) treats water to tertiary standards with a permitted capacity of 0.9 million gallons per day (mgd).
- The FY 06-07 proposed budget calls for a decrease of \$3,847.787 (51%). This decrease is primarily due to completion of the project to install a 500kW solar power system to reduce energy costs.
- Planned projects include funding portions of the CEQA compliance and design costs for an additional aeration basin at the treatment plant to increase the treatment plant capacity, funding portions of the CEQA compliance, design, and contract administration costs for maintenance work to remove accumulated sludge in settling ponds #1 and #2 and restore the treatment capacity of the ponds, and funding a portion of the contract administration costs to remove an existing underground diesel storage tank and replace it with a new above-ground tank.
- The ALW SZ anticipates operating at a Standard Level of Service during FY 06-07

SONOMA COUNTY WATER AGENCY

Organization Chart - FY 06/07

July 1, 2006

